Benefits from CAFTA-DR
Vermont

U.S. Department of Commerce
International Trade Administration
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Vermont's export shipments of merchandise—manufactures and non-manufactures—to the CAFTA-DR region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) totaled $4.4 million in 2004, with Costa Rica alone receiving merchandise exports of $2.5 million.

Although Vermont's exports to the CAFTA-DR region decreased from 2000 to 2004, they increased 10 percent from 2003 to 2004. Despite the overall decline for the five-year period, some sectors did show notable gains, including fibers, yarns, and threads (up $579 thousand), semiconductors and other electronic components (up $303 thousand), and basic chemicals (up $246 thousand).

The biggest percentage increases in Vermont's manufactured exports to the CAFTA-DR group between 2000 and 2004 were registered by semiconductors and other electronic components, motor vehicles, other general purpose machinery, architectural and structural metals, and other nonmetallic mineral products.

In 2004, the state exported fibers, yarns, and threads to the CAFTA-DR region valued at $1.6 million. Vermont's other four leading exports to the CAFTA-DR area in 2004 were basic chemicals ($769 thousand), dairy products ($453 thousand), semiconductors and other electronic components ($318 thousand), and fabrics ($299 thousand).

CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

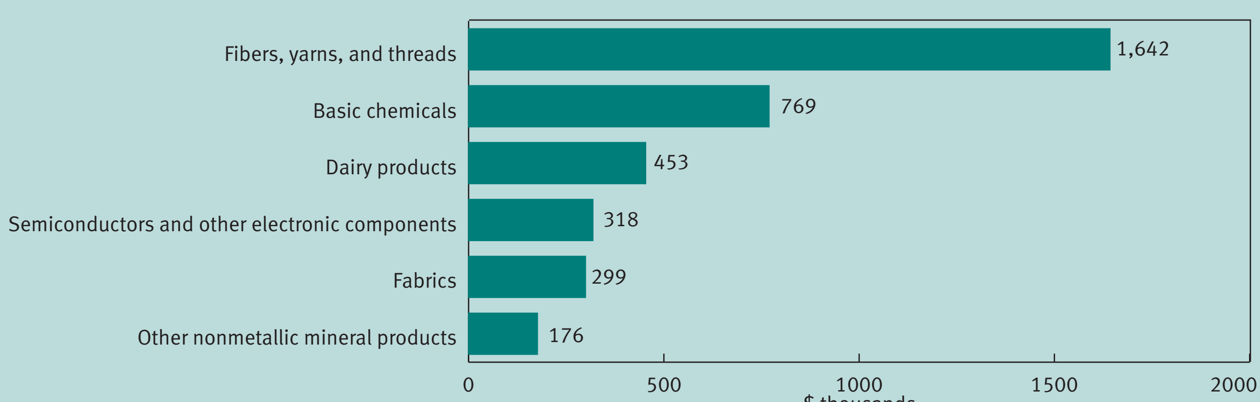
CAFTA-DR will boost opportunities for Vermont's exporters throughout the region, providing new market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over 10 years. Key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic.

CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant tariffs.

Vermont Exported $4.4 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004

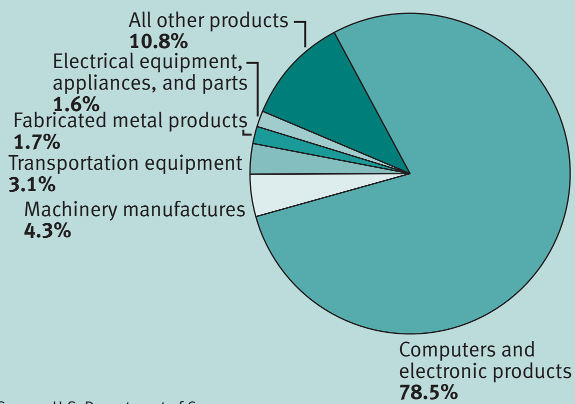
Fibers, Yarns, and Threads Is Top Category



Source: U.S. Department of Commerce.

Vermont Exported $3.3 Billion in Goods to the World in 2004

Computers and Electronic Products Dominate



Source: U.S. Department of Commerce.

CAFTA-DR Opens Markets for Key Vermont Exports

Manufactured goods accounted for nearly all of Vermont's merchandise exports to the CAFTA-DR region in 2004.

Computer and electronic products. Approximately 79 percent of Vermont's global exports in 2004 (exceeding $2.5 billion) fell under the computer and electronic products export category. Vermont has also experienced a significant increase in exports of computers and electronic products to the CAFTA-DR region, with exports rising from an almost negligible level in 2000 to almost $400 thousand in 2004. The CAFTA-DR improves market access for information technology goods and service providers. All exports of products covered by the Information Technology Agreement, including important Vermont exports of computer equipment and communications equipment, will receive duty-free treatment immediately upon implementation of the CAFTA-DR agreement.

Chemical manufactures. Vermont exported more than $900 thousand to the CAFTA-DR region under the chemical manufactures export category in 2004, including basic chemicals valued at $769 thousand. The state's exporters of chemical and related products will benefit from CAFTA-DR tariff reductions. Central American and Dominican tariffs on chemicals currently range from 0 to 20 percent. CAFTA-DR will immediately eliminate tariffs on 74 percent of U.S. chemical manufactures; remaining tariffs will be phased out over five or ten years.

Textiles manufactures. Fabric mill products were Vermont's top export to the CAFTA-DR region in 2004, totaling almost $2 million and comprising just over 44 percent of Vermont's total exports to the region. This category includes fibers, yarns, and threads, as well as fabric. CAFTA-DR provides regional garment-makers—and their U.S. suppliers of fabric and yarn—a critical advantage in competing with Asia. Garments made in the region will be duty-free under the agreement if they use U.S. fabric and yarn, thereby supporting U.S. exports and jobs. Textile and garment factories in Central America and the Dominican Republic purchase large amounts of fabric and yarn from the United States: the region is the second-largest world market for these products.

Dairy products. Vermont exported dairy products valued at $453 thousand to CAFTA-DR countries under the processed foods export category in 2004, making it Vermont's third leading export category to the region. The CAFTA-DR agreement, when implemented, will stimulate new opportunities for Vermont businesses in the processed foods sector. Demand in Central America and the Dominican Republic for imported processed foods products has been expanding substantially in recent years, despite high tariffs. U.S. suppliers of processed food will benefit from CAFTA-DR tariff elimination provisions.

CAFTA-DR Creates Opportunities for Vermont Agriculture

Despite high tariffs and other barriers on most agricultural products, including those important to Vermont, such as cattle and wheat, U.S. exporters shipped more than $1.6 billion in U.S. farm products to the CAFTA-DR region in 2003. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. More than 50 agricultural industry and farm groups, including the American Farm Bureau, support the FTA.

For more information on agricultural exports and the CAFTA-DR agreement, see the fact sheets posted by the U.S. Department of Agriculture at *http://www.fas.usda.gov/itp/CAFTA/cafta.html*.

The Central American–Dominican Republic Free Trade Agreement (CAFTA-DR) group consists of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin—i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Source: Bureau of the Census, U.S. Department of Commerce, Origin of Movement series.

Prepared by the International Trade Administration, U.S. Department of Commerce.